

BARNEY FRANK  
4<sup>TH</sup> DISTRICT, MASSACHUSETTS

2252 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-2104  
(202) 225-5931

29 CRAFTS STREET  
SUITE 375  
NEWTON, MA 02458  
(617) 332-3920

558 PLEASANT STREET  
ROOM 309  
NEW BEDFORD, MA 02740  
(508) 999-6462

THE JONES BUILDING  
29 BROADWAY  
SUITE 310  
TAUNTON, MA 02780  
(508) 822-4796

**Congress of the United States**  
**House of Representatives**  
**Washington, DC**

Dear Friend,

Thank you for contacting me. I am strongly against the President's effort to weaken Social Security and I am playing a leading role in Congress in our resistance to these efforts. I am enclosing a copy of an article I wrote in the Boston Globe last fall which gives my general position on the matter. The fact is that if Social Security is credited with every penny that was paid in and will be paid in for it - as it certainly should be - there is no crisis, and there does not even to begin to be any difficulty until forty years or more from now. There is plenty of time for us to make the small adjustments that might need to be made in this system.

The one adjustment I do favor is to apply the Social Security payroll tax to more of the income levels than it currently covers. Right now, people who make \$90,000 or below pay Social Security tax on all of their income. This allows the wealthiest people in our society to pay a far smaller percentage of their income in Social Security taxes, while they have at the same time been benefiting from George Bush's tax cuts. Levying the Social Security tax on all of income would in itself produce enough revenue to forestall any need to make the kind of drastic reductions in Social Security that are being argued. I don't think it would be wise to increase taxes on people who are now making between \$90,000 and \$115,000, since in this economy people in that range are hardly wealthy. I am therefore inclined to support a break in the tax but then reimposing it at about \$125,000 of income. It could also be that we could take the cap off, and engineer a slight reduction in the rate, so that some people would get a small reduction while others would in fact begin to pay.

I believe that the notion that we should substitute private stock accounts for some portion of Social Security is gravely mistaken. Of course people who can afford it should be investing in ways that will supplement their Social Security. But Social Security is meant to be a minimum safety net. Clearly if we let people invest with their Social Security money, even the best-informed will make mistakes. Some of the smartest investors in the world were putting their money into Enron, MCI, and other companies which have subsequently become valueless. In Massachusetts over the years we have seen some of the major banks - The Bank of New England, for example - become valueless. If we follow the Administration's view that we should allow people to invest on their own, the question we will then have is whether when these investments go bad as they will in some cases, we are prepared to let people live in desperate poverty, as was the case before the adoption of Social Security. I don't think we either will or should do that,

which means that the notion that we can simply let people buy stock and cut them off on their Social Security for that amount is unrealistic.

Beyond that, allowing people to divert a substantial portion of their Social Security into private accounts breaks a commitment that has been made with those who have gone before them. All of us who have paid into Social Security have done so knowing that our payments were going to help support current retirees while those of us who will retire later would get a similar benefit from people then working. What the President proposes would require a borrowing of a couple of trillion dollars at least, which will be a negative for the economy as a whole, and could lead to pressure to further cut Social Security.

While I will be fighting all aspects of this, I have a particularly important role because I am the Senior Democrat on the Committee on Financial Services, which has jurisdiction over the financial industry, including the securities industry. One of my top staffers has been assigned by me to the job of documenting the significant costs that will be incurred if the Social Security system now becomes a mechanism for people to make stock investments. The President argues that we should give people a lot of choice in picking their own stocks, but since this will be with funds restricted under Social Security, the costs of this will be very significant. Social Security now administers a very large program with very low administrative costs. The President's proposal, which will allow people to use Social Security proceeds for the stock market, would significantly increase the percentage of administrative costs. And if the response from the Administration is that this will not be expensive because people will not have much choice but will have to put their money into one or two designated funds, then they have undercut their own argument that the very purpose of this is to allow people to decide where to put their own money.

Social Security was enacted in 1936. It has worked extremely well in the nearly seventy years since then. Poverty among older people in America has substantially been reduced, and Social Security - along with Medicare - is a major reason for that. There is no reason to think that the program will begin to be in any difficulty for another forty years or so. This means that the Social Security program will have been in existence for well over one hundred years before we have to begin to make any adjustment in the future, and even then we do not now know what kind of adjustment we will have to make. If we raise the tax base, as I have suggested, we will almost certainly not have to do very much at all. That is why I am strongly resistant to the President's effort to pretend that there is a crisis when there is none, so that he could achieve his ideological goal of undermining the Social Security system.